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GREAT LAKES NICKEL LIMITED • 1972 ANNUAL REPORT

GREAT LAKES NICKEL LIMITED

EXECUTIVE OFFICE:
SUITE 1806, ROYAL TRUST TOWER,
TORONTO-DOMINION CENTRE,
TORONTO, ONTARIO.

MINE OFFICE:
BOX 367F, THUNDER BAY, ONTARIO

COVER PHOTO: Trackless equipment is shown inside the initial access tunnel which is about 1,700 feet long, portal to heading.

OFFICERS

NORTON PENTURN, President
D. G. C. MENZEL, Secretary
RUTH BOND, Treasurer
J. R. O. WALLI, General Manager

DIRECTORS

BURKE A. BROWN, Willowdale, Ontario
LIONEL J. MCGOWAN, Willowdale, Ontario
D. G. C. MENZEL, Toronto, Ontario
CHARLES E. MICHENER, Toronto, Ontario
NORTON PENTURN, Toronto, Ontario
GEORGE TIVILUK, Toronto, Ontario
J. R. O. WALLI, Toronto, Ontario

AUDITORS

THORNE GUNN & CO,
Toronto, Ontario

REGISTRAR and TRANSFER AGENT

GUARANTY TRUST COMPANY OF
CANADA, Toronto, Ontario;
Montreal, Quebec

NORTON PENTURN
President



REPORT OF THE DIRECTORS

Your directors are pleased to report the excellent progress made during 1972, which has proved a significant year in the history of your company.

Much of this advance has been communicated to shareholders through a letter and information circular mailed in August 1972, followed by a December 1972 progress report and a letter to shareholders sent early in 1973.

In respect of shareholders recently registered and in the interest of a balanced review of the year, it might be well to recapitulate.

Second \$1 Million

Boliden Aktiebolag, one of Sweden's leading mining and metallurgical companies, fulfilled its commitment under the August 25, 1972, agreement to finance and implement a \$1,000,000 development program and, on January 30, 1973, exercised its option to invest a second \$1,000,000.

This gratifying action on the part of Boliden strengthens our belief that the projected pre-production program can commence this summer.

Boliden's decision followed laboratory studies by its metallurgists of the feasibility of producing separate nickel and copper concentrates from the Great Lakes ore and satisfactory results of underground development and exploration work on your company's property.

Boliden has reported that its metallurgists are satisfied that the Great Lakes ore has the characteristics suitable for an autogenous grinding process similar to that which Boliden has introduced at its Aitik mine in Swedish Lapland.

✓ A bulk shipment of 2,300 tons of your company's ore was forwarded to Boliden in Sweden at year-end, to be used for pilot plant testing.



A scoop tram, above, emerges from the portal of the initial access tunnel to the Great Lakes Nickel orebody. Below, part of the fleet of trucks and scoop trams at the Great Lakes property.



In addition, the exploration and underground development work at your company's property during 1972 gave satisfactory results pertaining to tonnage and grades of reserves.

Your attention is drawn to the detailed summary of work completed and in progress, provided in this report by our general manager, J. R. O. Walli. Your directors believe his report reflects the high level of expertise and commitment which the technical staffs of both Boliden and of your company are giving to the Great Lakes project.

The second \$1,000,000 committed by Boliden will be used solely for work needed to complete a feasibility study and recommendation to form the basis for financing a 2,000,000 tons per year mining and milling operation.

Key Targets

In view of the successful outcome of the 1972 program, the work needed to complete the production feasibility study will be vigorously pursued over the next few months.

Boliden has agreed to deliver to your company by May 31, 1973, a completed feasibility study. If it also delivers two agreements providing firstly for the purchase of the concentrates produced and secondly for the financing of any capital cost over-runs and, if, based upon this, and other material, your company is successfully financed to bring it into commercial production, Boliden will be issued 1,000,000 shares for the \$2,000,000 it will have invested; otherwise it will be entitled only to certain subordinated, non-interest bearing long-term debt.

To assist in the financing Boliden has also agreed to purchase 20% of any securities which will be issued and which will be convertible or carry a share bonus or option.



Phases of road and camp construction are shown in the photos below and above. Construction of a new five-mile access road to the property from Highway 61 is planned to start this coming summer.



If your company is successfully financed, Boliden will receive a minimum 18% equity interest. It has also been given the right to increase this equity interest to 25% through purchasing treasury shares at open market prices.

Further Financing

Plans are now being made for work beyond that financed by the second \$1,000,000. Both your directors and Boliden view this work as significant to ensure that the first production step be completed at the earliest possible date. Early expansions of the mining and milling operations are already planned. Concurrently, studies will continue toward the ultimate construction of smelting and refining facilities.

To finance additional work approved by Boliden, your company has entered into a supplemental agreement with Boliden contemplating the sale to it of subordinated debentures and carrying both a bonus of shares and an option to purchase shares. Great Lakes Nickel will have control over the amount of financing to be effected under this supplemental agreement.

Your directors are encouraged that Boliden has thus indicated its willingness to consider spending further funds pointed towards expansion before the feasibility study is completed. They firmly believe that the availability and use of these further funds will make more economical the financing to production of your company's property. Your directors and the financial consultants of your company are confident that the present plans of the company and Boliden are realistic and capable of being financed.

General

Your directors are also pleased to announce that Messrs. Tom B. Borresen, Torsten Jensfelt and Lars E. Vannman all nominees of Boliden

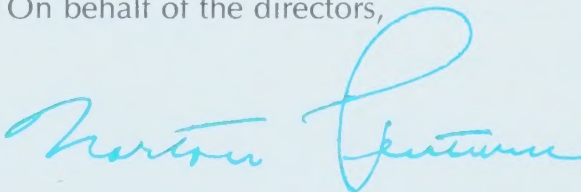
and Mr. J. D. Hudson, Q.C. of Toronto have agreed to join your board of directors at the forthcoming annual meeting.

1973 is a decisive year; a year when the enthusiasm and efforts of so many should be rewarded by the start of construction on the initial 2,000,000 tons-per-year production facility.

Most shareholders will agree that the progress during 1972 toward bringing your company's Thunder Bay copper-nickel property into production has been most gratifying. In this, your directors are much appreciative of the efforts of Boliden, our valued partners in this major undertaking, and of our own staff. Your directors are mindful of and grateful for your support.

May I add my personal hope that you will attend your company's forthcoming annual meeting, the date and place of which are announced in the notice accompanying this annual report.

On behalf of the directors,



NORTON PENTURN, President

Toronto, Ontario
March 9, 1973

REPORT OF THE GENERAL MANAGER

THE PRESIDENT AND DIRECTORS GREAT LAKES NICKEL LIMITED

Gentlemen:

Following the ratification of the agreement with Boliden Aktiebolag by the shareholders of Great Lakes Nickel Limited on September 19, 1972, the "initial programme" as defined in the Agreement was undertaken immediately.

An Operating Committee comprising three representatives of Boliden and three representatives of Great Lakes Nickel was set up to direct the programme. By year end the orebody had been opened up by a 1700-foot tunnel; a surface programme of detailed diamond drilling of the west end of the orebody had been completed; detailed underground diamond drilling was underway; Boliden's technical staff was well advanced in its mineralogical, geological and metallurgical studies, and a 2300-ton bulk sample of ore extracted from the new tunnel was en route to Sweden to be processed in Boliden's pilot plant.

Development Work to Date

	1965-1970 (incl.)	Oct. 1, 1972 – Feb. 28, 1973
Surface Diamond Drilling	156,836 ft.	11,629 ft.
Underground Diamond Drilling	1,287 ft.	29,035 ft.
No. 1 Adit Development (8' x 8')	122 ft.	–
No. 2 Adit Development (9' x 13')	–	1,714 ft.
Total Diamond Drilling		198,787 ft.
Total Underground Development		1,836 ft.

Work on Site

During the last quarter of 1972, a work force of between 40 and 50 men, including personnel of MacIsaac Mining and Tunnelling of Sudbury and N. Morissette Diamond Drilling of Haileybury, had:

1. Extracted a 40-ton sample from the No. 1 adit and trucked it to Lakefield Research for an autogenous grinding test,
2. Built a 2800-foot access road to new portal site,
3. Excavated and collared a main development portal,
4. Driven a 1714-foot tunnel, nine feet by 13 feet in cross section (689 feet horizontal and 1025 feet at a 20% decline) and cut stations to enable sections to be diamond drilled at 100-foot intervals,



J. R. O. WALLI, P. Eng.
General Manager

5. Excavated a 2300-ton bulk sample from the orebody and shipped it to Boliden, Sweden, for metallurgical testing,
6. Drilled 11,629 feet of surface diamond drilling,
7. Begun underground detailed drilling of which 29,035 feet had been completed by February 28, 1973,
8. Carried out geological mapping, core logging and sampling of both old and new core, and
9. Performed plant site surveys.

Technical Investigations, Project Development

It is planned to bring a 2,000,000 tons-per-year mine into production. The concentrator will be constructed to facilitate early expansions, the first to double production. Working towards this goal, Boliden has undertaken detailed mineralogical, geological and metallurgical work to confirm the characteristics of the orebody and to prove the feasibility of producing separate copper and nickel concentrates.

Underground diamond drilling continues on a 24 hours-per-day, seven days-per-week basis in the west 1400 feet of the orebody to produce accurate grade, tonnage and stope outlines for the ore to be mined in the first years. Mineralogical, geological and metallurgical evaluations continue as drill sections are completed. The correlation between the present detailed diamond drilling and the previous work is good.

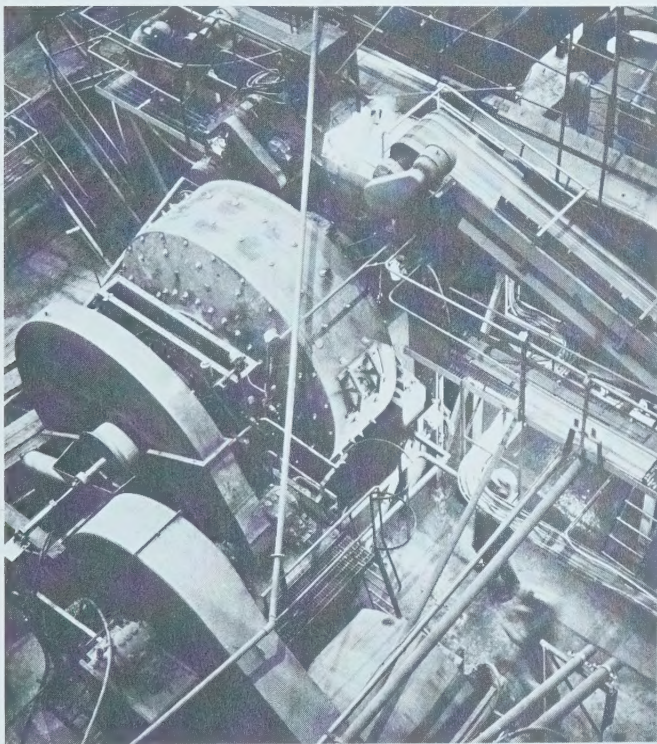
Of special significance to the Great Lakes Nickel project is that tests have confirmed that the ore from the deposit is suitable for an autogenous grinding system similar to that which was recently introduced at Boliden's Aitik mine in Sweden. Boliden's pilot plant is proving the feasibility of producing separate copper and nickel concentrates from the Great Lakes Nickel ore. All pertinent details required for the design of the final flow sheets are now being established.

Mine planning and plant layout for the initial 2,000,000 tons-per-year operation are well advanced and should be completed well before May 31 of this year when the feasibility study as required by the Agreement will be delivered by Boliden.

Discussions are underway with the appropriate authorities with respect to power supply, new road access and environmental aspects.

Expansion Plans

Development and construction of the 2,000,000 tons per-year-plant is expected to take 18 months. The plan includes provisions for rapid and economic expansion to 4,000,000 tons-per-year or greater. Accordingly, it is planned to extend the present tunnel by 1650 feet



Boliden pilot plant, employing autogenous grinding, is shown above during test runs on the Great Lakes ore. Freighter at right was photographed in January, unloading the 2,300-ton bulk sample from Great Lakes Nickel at a Swedish port.



and to perform a further 50,000 feet of detailed diamond drilling. This work will begin in the near future.

Long range plans include additional expansions of the operation. Evaluations of the possibility of integrating further processing facilities are continuing.

Properties

The properties of Great Lakes Nickel have been maintained in good standing throughout the year. Certain additional properties have been purchased where surface rights are required for the production plan.

During the past six months, the co-operation between Boliden and Great Lakes Nickel, under the direction of the Operating Committee, has been excellent and will play a vital part in realising the objective of the company. The results obtained and the planning done since the agreement was ratified in September, 1972, are such that I am confident that management will be in a position to make the construction decision for the first plant by mid-1973.

Respectfully submitted,

J. R. O. Walli

J. R. O. Walli, B.Sc., P.Eng.

March 8, 1973

GREAT LAKES NICKEL LIMITED

(INCORPORATED UNDER THE LAWS OF ONTARIO)

BALANCE SHEET — DECEMBER 31, 1972

(with comparative figures at December 31, 1971)

ASSETS

CURRENT ASSETS

Cash and short term deposits
Accounts receivable and accrued interest

FIXED ASSETS, at cost

Machinery and equipment
Less accumulated depreciation

Mining properties, leases and land (note 1)

DEVELOPMENT FUNDS (note 2)

Unexpended balance
Committed funds receivable

DEFERRED EXPENDITURES

Development and administrative expenditures
Prepaid expenses

LIABILITIES

CURRENT LIABILITIES

Accounts payable and accrued liabilities

FUNDS PROVIDED BY BOLIDEN AKTIEBOLAG (notes 2 and 3)

SHAREHOLDERS' EQUITY

CAPITAL STOCK (note 3)

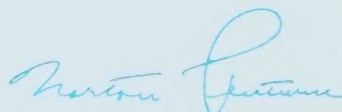

Authorized — 10,000,000 shares without par value

Issued — 3,233,123 shares

CONTRIBUTED SURPLUS

DEFICIT

APPROVED BY THE BOARD

Director

Director

<u>1972</u>	<u>1971</u>
\$ 711,895	\$ 951,630
23,793	880
<u>735,688</u>	<u>952,510</u>
144,643	141,586
124,609	116,023
<u>20,034</u>	<u>25,563</u>
126,246	126,246
<u>146,280</u>	<u>151,809</u>
63,929	
250,000	
<u>313,929</u>	
4,411,199	3,481,513
1,927	1,250
<u>4,413,126</u>	<u>3,482,763</u>
<u>\$5,609,023</u>	<u>\$4,587,082</u>
\$ 48,347	\$ 26,406
<u>1,000,000</u>	
3,233,123	3,233,123
1,590,994	1,590,994
<u>4,824,117</u>	<u>4,824,117</u>
263,441	263,441
<u>4,560,676</u>	<u>4,560,676</u>
<u>\$5,609,023</u>	<u>\$4,587,082</u>

AUDITORS' REPORT

To the Shareholders of
Great Lakes Nickel Limited

We have examined the balance sheet of Great Lakes Nickel Limited as at December 31, 1972 and the statements of development and administrative expenditures deferred and source and application of funds for the year then ended. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion these financial statements present fairly the financial position of the company as at December 31, 1972 and the results of its operations and the source and application of its funds for the year then ended, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

The figures for 1971, included for comparative purposes, are based on the financial statements of that year, which were reported on by other chartered accountants.

Thorne Gunn & Co.
Chartered Accountants

Toronto, Canada
February 9, 1973

STATEMENT OF DEVELOPMENT AND ADMINISTRATIVE EXPENDITURES DEFERRED

YEAR ENDED DECEMBER 31, 1972

DEVELOPMENT

- Assays and ore testing
- Board
- Consulting fees and expenses
- Contract drilling
- Contract tunnelling
- Depreciation
- Engineering
- Equipment rentals
- Food
- Gas and oil
- Geology
- Insurance, taxes and licences
- Labour
- Milling, smelting and refining tests
- Repairs and maintenance
- Supervision
- Supplies
- Surveys
- Telephone
- Travelling

Total

ADMINISTRATIVE

- Bad debts
- Consulting fees and expenses
- Depreciation
- Insurance and taxes
- Legal and audit
- Printing and office supplies
- Public relations
- Rent and office services
- Salaries, benefits and technical services
- Sundry expenses
- Telephone
- Transfer agent's fees
- Travelling

Deduct interest, net

Total development and administrative expenditures deferred

Total December 31, 1971	1972 Expenditures	Total December 31, 1972
\$ 38,708 (28,454)	\$ 3,729	\$ 42,437 (28,454)
504,000	31,403	535,403
151,185	105,513	256,698
	222,279	222,279
120,292	7,312	127,604
	110,746	110,746
57,267	17,507	74,774
47,734	3,202	50,936
63,314	3,490	66,804
	8,043	8,043
33,427	4,793	38,220
614,606	17,596	632,202
67,222	127,263	194,485
100,348	4,018	104,366
163,404	31,340	194,744
264,619	8,620	273,239
27,908	1,281	29,189
10,285	1,297	11,582
41,984	637	42,621
<u>2,277,849</u>	<u>710,069</u>	<u>2,987,918</u>
12,600		12,600
329,354	75,200	404,554
2,885	1,274	4,159
5,691	3,493	9,184
104,535	38,315	142,850
36,950	7,648	44,598
23,163	6,807	29,970
141,380	13,190	154,570
580,574	86,782	667,356
	2,810	2,810
33,157	3,925	37,082
23,225	4,983	28,208
37,450	16,271	53,721
<u>1,330,964</u>	<u>260,698</u>	<u>1,591,662</u>
<u>127,300</u>	<u>41,081</u>	<u>168,381</u>
<u>1,203,664</u>	<u>219,617</u>	<u>1,423,281</u>
<u>\$3,481,513</u>	<u>\$ 929,686</u>	<u>\$4,411,199</u>

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 1972

1 MINING PROPERTIES, LEASES AND LAND

The mining properties, mining leases and land are located in Pardee Township, Ontario and were acquired for \$61,746 cash and the issue of 1,275,000 shares of the company's capital stock valued at \$64,500.

2 AGREEMENT WITH BOLIDEN AKTIEBOLAG

Under an agreement (the "Boliden Agreement") dated August 25, 1972 Boliden committed \$1,000,000 to carry out development work on the property of the company and, on January 30, 1973, a further \$1,000,000. If Boliden fulfills certain conditions it will receive 1,000,000 treasury shares for the said \$2,000,000; otherwise it will be entitled to certain subordinated unsecured non-interest bearing long-term debt of the company.

3 CAPITAL STOCK

- During 1972 the authorized share capital of the company was increased and changed from 5,000,000 shares of \$1 each to 10,000,000 shares without par value.
- If Boliden becomes entitled to receive the 1,000,000 treasury shares of the company as set forth in note 2 under the Boliden Agreement it will have (i) the right (and, with a qualification, the obligation) to purchase 20% of the financing required to bring the company's property into production, (ii) the option to purchase further treasury shares to maintain its share interest in the company at approximately 20% and (iii) after financing to production is completed the option exercisable during the subsequent one year to increase its share interest to 25% by purchasing treasury shares at prices related and equal to then current market price.
- By agreement supplemental to the Boliden Agreement and dated February 1, 1973 Boliden may finance certain supplemental development work relating to the company's property by the purchase of subordinated debentures carrying a bonus of shares and for each \$1,000 of such debentures purchased it shall have the right to purchase, on or before December 31, 1983, 50 treasury shares of the company at \$2 per share.
- Further options to purchase shares have been granted and are outstanding, as follows:
 - 1,000,000 shares to 246057 Investments Limited at \$3.50 per share, exercisable on or before a day being the later of:
 - August 20, 1978, or
 - a day being the earlier of a day being exactly five years from the day that the present mineral property of the company is brought into production of refined metals in reasonable commercial quantities, or June 30, 1985;
 - 100,000 shares to Mr. J. R. O. Walli, the General Manager and a director of the company, at \$2.00 per share, exercisable during a period not to extend beyond April 30, 1982 at a rate not to exceed 20,000 shares per annum, except to the extent otherwise provided;

STATEMENT OF SOURCE AND APPLICATION OF FUNDS

YEAR ENDED DECEMBER 31, 1972 (with comparative figures for 1971)

SOURCE OF FUNDS

- Issue of share capital
- Advances and other funds provided
 - Acres Management Services Limited
 - Boliden Aktiebolag
 - International Capital Consultants Ltd.

APPLICATION OF FUNDS

- Development and administrative expenditures
- Deduct depreciation which does not require an outlay of funds

- Development funds
- Additions to fixed assets
- Prepaid expenses
- Reduction of indebtedness
 - Acres Management Services Limited
 - International Capital Consultants Ltd.

Increase (decrease) in working capital

Working capital at beginning of year

Working capital at end of year

1972

1971

\$1,359,501

15,927

8,000

1,383,428

929,686

355,772

8,586

10,951

921,100

344,821

313,929

3,057

2,168

677

1,250

249,501

110,000

1,238,763

707,740

(238,763)

675,688

926,104

250,416

\$ 687,341

\$ 926,104

NOTES (continued)

3. CAPITAL STOCK (Cont'd.)

- (iii) 25,000 shares to Mr. L. J. McGowan, a director of the company, at \$2.00 per share, exercisable during a period not to extend beyond April 30, 1982 at a rate not to exceed 5,000 shares per annum, except to the extent otherwise provided;
- (iv) 50,000 shares to Mr. Penturn, as President of the company, at \$2.00 per share, exercisable before April 30, 1982;
- (v) 75,000 shares to Mr. Burke A. Brown, a director of the company, at \$2.00 per share, exercisable before October 31, 1981, and
- (vi) 225,000 shares in the aggregate to several designees of International Capital Consultants Ltd. (including that company), at \$5.85 per share, exercisable before December 31, 1977.



OTHER STATUTORY INFORMATION

	1972	1971
Remuneration of directors and senior officers, as defined by The Business Corporations Act, Ontario (excluding \$50,000 consulting fees paid to a corporation controlled by a director)	\$92,200	\$110,500
Depreciation	8,586	10,951



COMPARATIVE FIGURES

The 1971 figures have been reclassified on the basis of 1972 financial statement presentation.



THIS IS BOLIDEN...

Boliden Aktiebolag, the Swedish company which is participating in the development of Great Lakes Nickel Limited, is the parent company of the Boliden Group which forms Scandinavia's largest mining, metallurgical and chemical organization. The Group employs 8,400 people and has annual sales in excess of \$300,000,000.

Boliden operates more than 20 mines in Sweden and integrated copper and lead smelters and refineries and chemical plants. Its production of copper equals more than half of Sweden's requirements and its production of lead, zinc, gold, arsenic and selenium exceeds the country's consumption. The company has extensive marketing facilities and sells its metal and chemical products direct to major industrial customers in Scandinavia and other European markets.

Boliden has earned a world-wide reputation as an innovator of advanced mining and metallurgical methods. The origins of this reputation date back to the late 1920's when Boliden engineers developed profitable solutions to the problem of utilizing an arsenic- and gold-rich, copper deposit at Boliden in Sweden. Their ore treatment process was the



first of a series of Boliden innovations aimed at extracting all the commercial constituents from the complex and low-grade ores worked at most of its mines. Among the most recent of these innovations was the introduction in 1972 at Boliden's Aitik mine in Swedish Lapland of an autogenous system of ore grinding. This has resulted in substantial cost savings and enabled the mine to expand its production to 23,000 tons daily by utilizing ore with a 0.4% copper content.

Boliden Canada Limited, a subsidiary company with offices in the Toronto-Dominion Centre, Toronto, is managing Boliden's interests in Canada. Besides mineral resource development, these include the use of Boliden patents in North America and mineral exploration undertaken by Boliden-Preussag Exploration, a Canadian partnership formed in 1970 by Boliden and Preussag A G Metall of Hanover, West Germany. Torsten Jensfelt, Deputy Managing Director, Boliden Aktiebolag, Stockholm, is the president of Boliden Canada and Lars E. Vannman, Toronto, is general manager. Both men are members of the operating committee which is managing the present development program of the Great Lakes Nickel project.



Photo at upper right shows a slag fuming furnace at Boliden's Ronnskar Works. Extensive use of trackless equipment, left, is characteristic of Boliden underground operations.



GREAT LAKES NICKEL...

Situated about 35 miles from the city of Thunder Bay, in northwestern Ontario, Great Lakes Nickel's property is advantageously located for both its construction and operation stages. It is six miles from Lake Superior and the St. Lawrence Seaway and five miles from a main commercial highway.

Hydro power and natural gas are within a few miles of the property; trans-Canada routes of both national railways run through Thunder Bay. Skilled labour is available in this area and, with the proximity of Thunder Bay, there will be no need to construct a mine townsite.

OVERLEAF PHOTO: The photo overleaf is a northwestern view of part of the Great Lakes Nickel "hill", into which the 1700-foot tunnel has recently been driven. Within the "hill", running east-west for about four miles, the presently-outlined reserves are contained over a length of 10,700 feet, from the west end.





GREAT LAKES NICKEL LIMITED
ANNUAL REPORT/1972